

Taxpayer Migration by Age and Income: Evidence from the IRS

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How does taxpayer migration affect Vermont and other Eastern States?

- As populations get older, in-migration can be a potential solution to filling open jobs and providing new tax revenue
 - Long-standing debate about high-income filers leaving
- Here, JFO used a dataset from the Internal Revenue Service to highlight the types of tax filers that moved to and from Vermont
 - 2011 to 2016 in 2-year pairs
 - All 50 states
 - Age of primary filer
 - AGI before and during the year of the move (not after)

Key findings

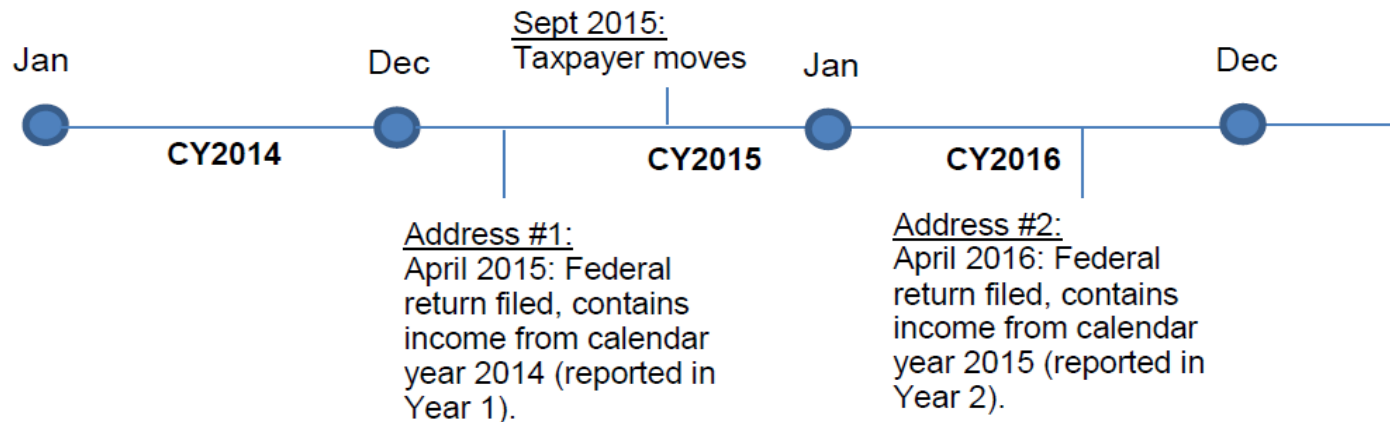
1. Overall, Vermont lost 4,167 taxpayers on net to migration over the period 2011 to 2016 according to the IRS database.
 - Over the five years, 43,714 taxpayers migrated into Vermont
 - And 47,881 taxpayers migrated out
 - Vermont's population at the time was about 625,000
2. On net over the 5-year period, Vermont lost significant numbers of taxpayers reporting lower- and middle-incomes (below \$100,000).
3. On net over the 5-year period, Vermont gained 126 high-income taxpayers with AGI of \$200,000 or above in the year of their move.

An important caveat

The data set does not allow definitive conclusions about migration of incomes, and, therefore, *changes in state taxable income*.

- We do not know income in the year following the move, when the taxpayer is living and working in the destination state.

The IRS Database contains two measures of income: Year 1 and Year 2. The graphic below illustrates an example of a taxpayer who moved during the 2015-2016 period and the corresponding Year 1 and Year 2 incomes.



Information in the data set

We know the income group and the age of the taxpayer in the year of the move (Year 2)

- Recall that AGI in Year 2 is likely a mix of home state income and destination state income

Income Groups
\$0-\$10,000
\$10,000-\$25,000
\$25,000-\$50,000
\$50,000-\$75,000
\$75,000-\$100,000
\$100,000-\$200,000
\$200,000+

Age Groups
Under 26
26-34
35-44
45-54
55-64
65+

Hence the income groups represent general indications of migrant taxpayer affluence.

Characteristics of movers

- Most of Vermont's in-migration and out-migration is among lower-and middle-income taxpayers (up to \$100,000)

	Vermont				
	Percent of Total VT Tax Returns in Cohort (2016)	In-Migration		Out-Migration	
		Percent of Total	Number	Percent of Total	Number
\$1-10k	10%	14%	5,933	14%	6,642
\$10k-25k	20%	29%	12,482	29%	13,697
\$25k-50k	28%	27%	11,863	28%	13,252
\$50k-75k	16%	12%	5,160	12%	5,676
\$75k-100k	11%	7%	2,847	7%	3,117
\$100k-200k	12%	9%	3,783	8%	3,977
\$200k+	3%	4%	1,646	3%	1,520
Total	100%	100%	43,714	100%	47,881

The other New England states

- The rest of the New England states have more in- and out-migration among higher-income taxpayers, with AGI \$100,000 and above

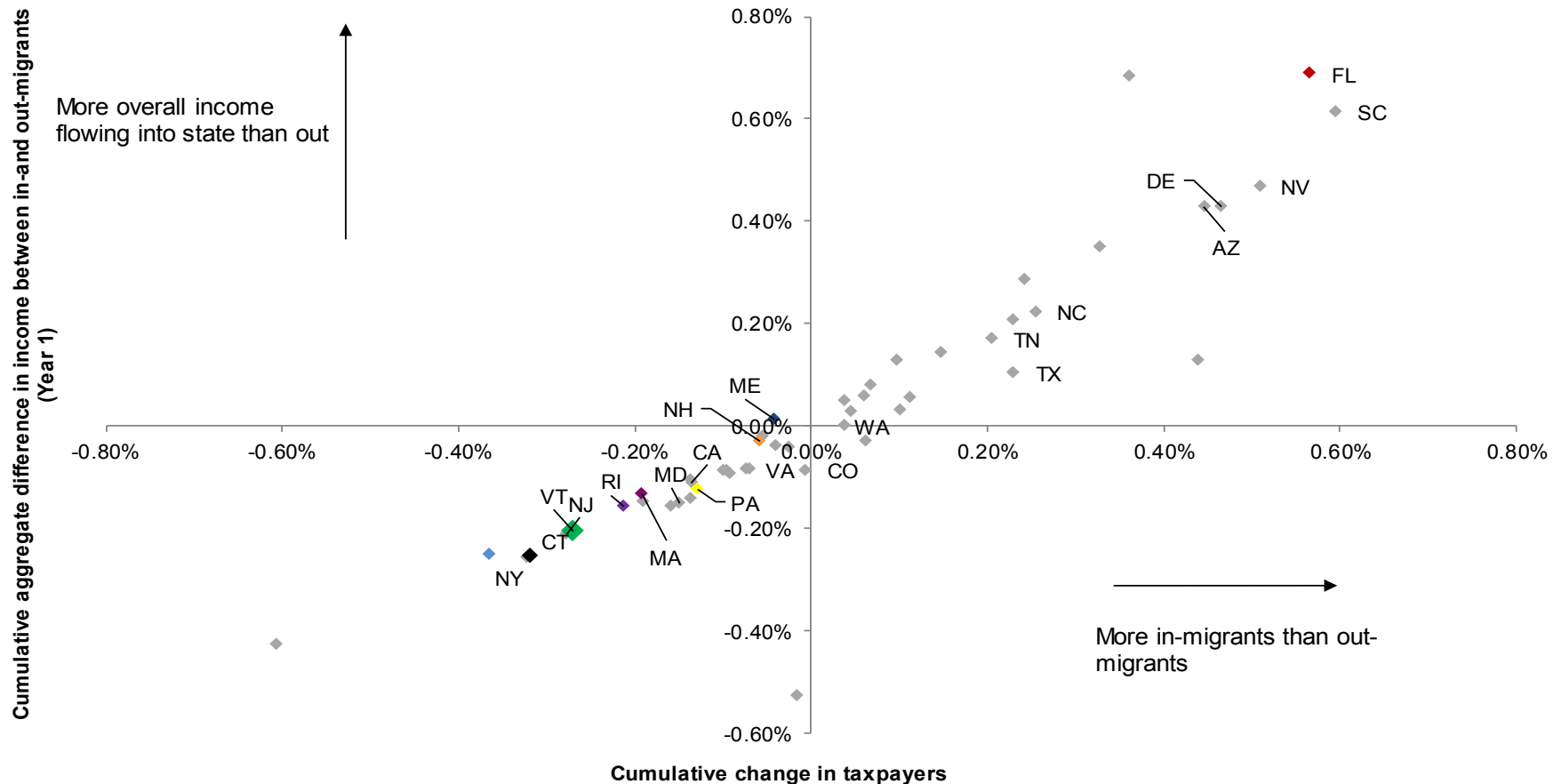
	New England (less VT)				
	Percent of Total NE Tax Returns in Cohort	In-Migration		Out-Migration	
		Percent of Total	Number	Percent of Total	Number
\$1-10k	7%	12%	85,695	11%	93,082
\$10k-25k	17%	24%	173,367	23%	192,060
\$25k-50k	24%	26%	192,418	26%	214,527
\$50k-75k	16%	14%	103,477	14%	118,788
\$75k-100k	11%	8%	57,963	8%	69,745
\$100k-200k	18%	11%	78,481	12%	96,234
\$200k+	7%	5% } 16%	40,095	6% } 18%	46,638
Total	100%	100%	731,496	100%	831,074

- Note: These numbers include moves within New England.

Vermont loses a higher share of taxpayers ages 45 to 64 with incomes \$25,000 to \$75,000

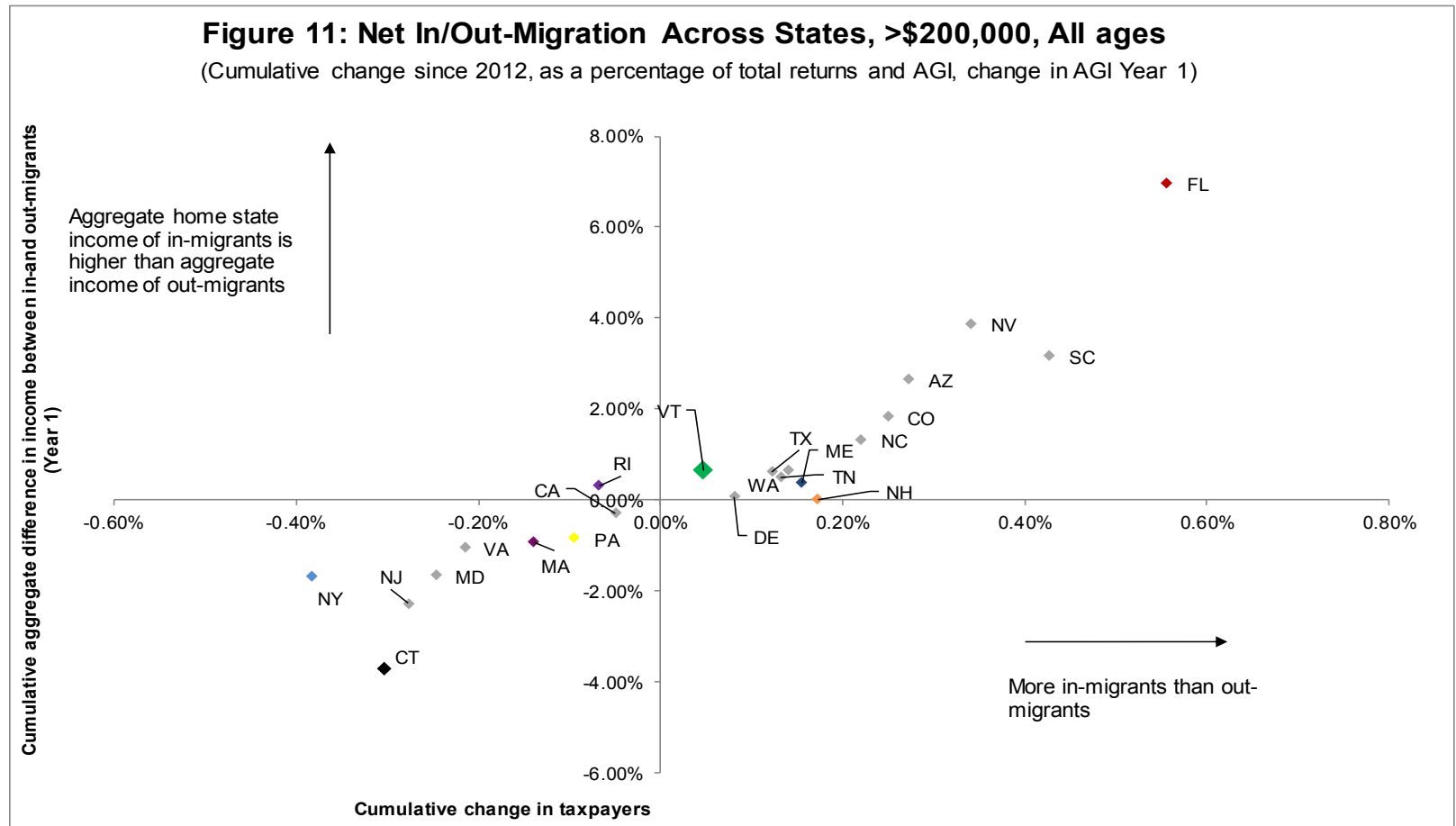
Figure 4: Net In/Out-Migration Across States, \$25,000 to \$75,000, 45-64

(Cumulative change since 2012, as a percentage of total returns and AGI), change in AGI Year 1



A bright spot for Vermont

On net, Vermont gained 126 taxpayers with over \$200,000 in income over the 5-year period; 100 of these were ages 26-44



To read the paper

- *Taxpayer Migration by Age and Income: Evidence from the IRS*
 - Published on Aug 27, 2019 by Graham Campbell and Chloe Wexler, Joint Fiscal Office
 - <https://ljfo.vermont.gov/assets/Publications/Issue-Briefs/3bed2c98d0/Age-and-Income-Issue-Brief-Final.pdf>
- Questions?
 - Contact Graham at gcampbell@leg.state.vt.us